



STATE OF UTAH INSURANCE DEPARTMENT
REPORT OF FINANCIAL EXAMINATION

of

Alpha Dental of Utah, Inc.

of

Salt Lake City, Utah

as of

December 31, 2019



TABLE OF CONTENTS

| | |
|--|----|
| SALUTATION | 3 |
| SCOPE OF EXAMINATION | 3 |
| Period Covered by Examination | 3 |
| Examination Procedures Employed | 3 |
| SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS | 4 |
| COMPANY HISTORY | 4 |
| General | 4 |
| Mergers and Acquisitions | 4 |
| Dividends and Capital Contributions | 4 |
| MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE | 5 |
| Board of Directors | 5 |
| Committees | 5 |
| Officers | 6 |
| Holding Company | 6 |
| Transactions and Agreements with Affiliates | 7 |
| TERRITORY AND PLAN OF OPERATIONS | 8 |
| REINSURANCE | 8 |
| FINANCIAL STATEMENTS | 9 |
| ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS | 13 |
| SUBSEQUENT EVENTS | 13 |
| ACKNOWLEDGEMENT | 13 |

May 26, 2021

Honorable Jonathan T. Pike, Insurance Commissioner
Utah Insurance Department
4315 S. 2700 West, Ste. 2300
Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, an examination, as of December 31, 2019, has been made of the financial condition and business affairs of:

ALPHA DENTAL OF UTAH, INC.
Salt Lake City, Utah

hereinafter referred to in this report as “the Company” and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

Representatives of the Utah Insurance Department (Department) have performed a full scope, multi-state examination of the Company. This examination covers the period of January 1, 2016, through December 31, 2019, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. This examination is part of a coordinated examination led by representatives of the Delaware Department of Insurance.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There were no significant findings and recommendations for inclusion in this report.

COMPANY HISTORY

General

The Company is a wholly-owned subsidiary of DDC Insurance Holdings, Inc., a Delaware holding company, that is 100% owned and controlled by Delta Dental of California (DDC), a California non-profit corporation. DDC is under the umbrella of Dentegra Group, Inc., which is the ultimate holding company.

The Company is licensed by the Department as a not-for-profit prepaid dental plan. The Company administers and underwrites dental care programs under agreements with various employer groups, individuals and panel providers in the State of Utah.

Mergers and Acquisitions

No mergers and acquisitions took place during the examination period.

Dividends and Capital Contributions

No stockholder dividends were declared or paid during the examination period. There were also no capital contributions received during the examination period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The following persons served as directors as of December 31, 2019:

| Name and Location | Principal Occupation |
|--|--|
| Michael G. Hankinson, Esq., San Francisco, CA | President and Chairman Alpha Dental of Utah, Inc. |
| Alicia Frias Weber San Francisco, CA | Treasurer Alpha Dental of Utah, Inc. |
| John M. Yamamoto, DDS* Alamo, CA | Vice President, Professional Services Delta Dental Ins. |

*Dr. John M. Yamamoto departed in March 2020, and was replaced by Dr. Daniel Croley on May 18, 2021. During this time period, the Company operated with two directors which was non-compliant with its bylaws.

Committees

Committees and the respective committee members of the Company as of December 31, 2019, were as follows:

| Audit* | Name |
|-------------------|-----------------------------|
| | Glen F. Bergert, Chair |
| | Roy A. Gonella |
| | Steven F. McCann |
| | Andrew J. Reid |
| | Heidi Yodowitz, ex-officio |
| | Terry O'Toole |
| | |
| Finance* | Name |
| | Glen F. Berget, Chair |
| | Roy A. Gonnella |
| | Steven F. McCann |
| | Andrew J. Reid |
| | Heidi Yodowitz, ex-officio |
| | Terry O'Toole |
| | |
| Investment | Name |
| | Michael G. Hankinson, Esq., |
| | Alicia Frias Weber, Chair |
| | Michael J. Castro |
| | Jeanne M. Foster |
| | Kevin L. Jackson |
| | Richard Sbragia |

*In accordance with provisions of the Management Agreement between the Company and DDC, the audit-related and financial oversight duties were provided to the Company by DDC.

Officers

The following persons served as officers of the Company as of December 31, 2019:

| Name | Title |
|-----------------------------|---|
| Michael G. Hankinson, Esq., | President/Chair/Chief Legal Officer |
| Alicia Frias Weber | Treasurer and Chief Financial Officer |
| Andrea M. Fegley, Esq. | Secretary |
| Ashley C. Singer | Assistant Secretary |
| Roy Gilbert | Executive Vice President, Chief Operations Officer |
| Sarah M. Chavarria | Executive Vice President, Chief People Officer |
| Michael J. Castro | Chief Executive Officer |
| Kirsten E. Garen Esq.* | Executive Vice President, Chief Information Officer |
| Kevin L. Jackson | Executive Vice President, Chief Growth Officer |

*Dominic Titcombe replaced Kirsten E. Garen as Executive Vice President and Chief Information Officer during 2020 Annual Statement reporting period.

Holding Company

The Company is a member of the Dentegra Group holding company. The Dentegra Group is bifurcated into two parent companies; DDC and Delta Dental of Pennsylvania (DDP). The Dentegra Group integrates the two parent companies and their subsidiaries to deploy resources more efficiently, share best practices, develop economies of scale, and grow markets in a coordinated fashion, thus maximizing the ability to bring new services to its subscribers, clients and partner dentists.

The Company and other certain companies in the holding company system are members of the Delta Dental Plans Association (DDPA), a nationwide system of independently-operated dental health service plans that offer subscribers access to the national provider networks under the Delta USA program and access to the local provider networks maintained by the Dentegra Group.

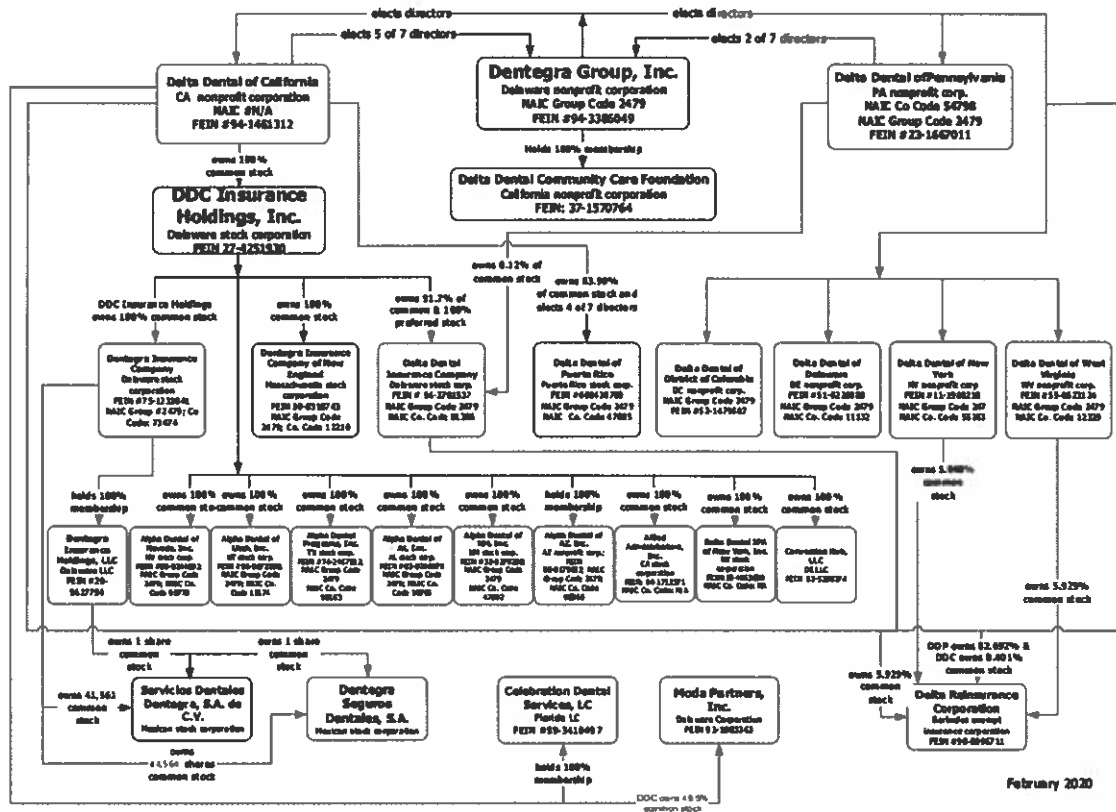
An organizational chart illustrating the holding company system as of December 31, 2019, follows:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER

MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Insurance Holding Company System of Delta Dental of California



Transactions and Agreements with Affiliates

The following agreements were in place as of the date of this examination report:

Management Agreement

Effective January 1, 2007, the Company entered into a Management Agreement with the parent company, DDC. The Company does not have any direct employees, therefore DDC provides all necessary personnel to perform all day-to-day operations through the Management Agreement. Services provided by DDC include; underwriting and regulatory filings, marketing, provider relations, group and member relations, quality assurance, and accounting and financial support.

DDC is reimbursed for all direct costs for services provided under the Management Agreement plus a percentage of indirect administrative costs. The Management Agreement is automatically renewed annually unless terminated by either party upon 90 days written notice.

Administrative Services Agreement

Effective January 1, 2007, the Company entered into an Administrative Services Agreement with Delta Dental Insurance Company (DDIC). Under terms of the Administrative Agreement, DDIC provides administrative services for the Company that include; billing, collection, and deposit of the Company's premiums; distribution of premium refunds; broker commission payments and other marketing or administrative costs; payment of premium taxes; assessments and other charges; and payment of health care expenses incurred by the Company for covered services.

DDIC is reimbursed for all direct or allocated costs for services provided under the Administrative Services Agreement plus a percentage of indirect administrative costs. The Management Agreement is automatically renewed annually unless terminated by either party upon 90 days written notice.

Subsequent to the examination date and effective April 1, 2016, Amendment 1 was entered into, which clarifies collections and services, redefines the components of compensation, updates some accounting and reporting of records, and added clarification about arbitration and no third party benefit.

Consolidated Tax Sharing Agreement

Effective January 1, 2011, the Company became party to a Consolidated Tax Sharing Agreement with the direct parent, DDCIH and other affiliated companies. In accordance with the terms of the agreement, DDCIH will prepare and file all tax returns on behalf of its majority-owned or controlled subsidiaries. The purpose of the Consolidated Tax Sharing Agreement is to provide the methodology and procedures for allocating the consolidated federal tax liability or tax benefit to and amongst the stated companies in the Consolidated Tax Sharing Agreement.

TERRITORY AND PLAN OF OPERATIONS

The Company is only licensed to sell and transact dental insurance in the state of Utah.

REINSURANCE

The Company did not assume or cede any reinsurance during the examination period.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2019. The accompanying COMMENTS ON FINANCIAL STATEMENTS (if any) reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Alpha Dental of Utah, Inc.
Net Admitted Assets
December 31, 2019

| | 2019 |
|---|--------------------|
| Bonds | \$564,216 |
| Cash | 1,897,543 |
| Subtotals, cash and invested assets | 2,461,759 |
| Investment income due and accrued | 5,888 |
| Uncollected premiums and agents' balances in the course of collection | 17,612 |
| Receivables from parent, subsidiaries and affiliates | 6,248 |
| Aggregate write-ins for other than invested assets: Misc. receivables | 179 |
| Total assets | \$2,491,686 |

Liabilities, Surplus, and Other Funds
December 31, 2019

| | 2019 |
|---|--------------------|
| Liabilities, Surplus, and Other Funds | |
| Claims unpaid | \$12,000 |
| Unpaid claims adjustment expenses | 1,000 |
| Premiums received in advance | 75,071 |
| General expenses due or accrued | 51,094 |
| Current federal and foreign income tax payable and interest thereon | 46,271 |
| Amounts due to parent, subsidiaries and affiliates | 8,533 |
| Total liabilities | \$193,969 |
| Surplus | |
| Common capital stock | \$10,000 |
| Gross paid in and contributed surplus | 1,119,552 |
| Unassigned funds | 1,168,165 |
| Surplus as regards policyholders | \$2,297,717 |
| Total Liabilities, Surplus, and Other Funds | \$2,491,686 |

Alpha Dental of Utah, Inc.
Statement of Income
December 31, 2019

| | 2019 |
|--|------------------|
| Revenues | |
| Net premium income | \$670,846 |
| Change in unearned premium reserves and reserve for rate credits | (1,030) |
| Total Revenues | 669,816 |
| Hospital and Medical | |
| Hospital/medical benefits | 364,734 |
| Outside referrals | 738 |
| Total Hospital and Medical | 365,472 |
| Claims adjustment expenses | (1,000) |
| General administrative expenses | 88,522 |
| Total Underwriting Deductions | 452,994 |
| Net underwriting gain | 216,822 |
| Net investment income earned | 14,711 |
| Net gain from agents' or premium balances recovered | 2,498 |
| Miscellaneous expenses | (7,590) |
| Net income after capital gains tax and before all other federal income taxes | 226,441 |
| Federal and foreign income taxes incurred | 41,756 |
| Net income | \$184,685 |

Alpha Dental of Utah, Inc.
Capital and Surplus Account
December 31, 2019

| Capital and Surplus Account | 2019 | 2018 | 2017 | 2016 |
|--|--------------------|--------------------|--------------------|--------------------|
| Capital and surplus prior year | \$2,148,276 | \$1,800,214 | \$1,492,148 | \$1,281,746 |
| Net Income | 184,685 | 349,248 | 307,756 | 212,756 |
| Change in non-admitted assets | (35,244) | (1,186) | 310 | (2,354) |
| Net change for capital and surplus | 149,441 | 348,062 | 308,066 | 210,402 |
| Capital and Surplus end of year | \$2,297,717 | \$2,148,276 | \$1,800,214 | \$1,492,148 |

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to financial statements as a result of the examination.

SUBSEQUENT EVENTS

No material subsequent events were identified during the examination fieldwork.

ACKNOWLEDGEMENT

The information systems and actuarial function were reviewed by specialists contracted by the lead state, Delaware. Scott Eady, CPA, CFE, Risk & Regulatory Consulting, LLC, participated in the examination, representing the Utah Insurance Department. Malis Rasmussen, MSA, CFE, SPIR, Chief Financial Examiner, supervised the examination. The examiners acknowledged the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'MR', is positioned above the printed name of Malis Rasmussen.

Malis Rasmussen, MSA, CFE, SPIR
Chief Financial Examiner
Utah Insurance Department